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PAGE 01 STATE 250763
ORIGIN EA-12

INFO OCT-01 ISO-00 ONY-00 (ISO) R

DRAFTED BY EA/EP:STAFF:SRP
APPROVED BY EA/EP:WRWARNE
DESIRED DISTRIBUTION
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-----124197 191942Z /42

R 190313Z OCT 77
FM SECSTATE WASHDC
TO ALL EAST ASIAN AND PACIFIC DIPLOMATIC POSTS
INFO AMEMBASSY ROME

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E.O. 11652: N/A

TAGS: EGEN, ECON, XC, XE, XP

SUBJECT:OFFICE OF ECONOMIC POLICY WEEKLY STATUS REPORT
OCTOBER 18, 1977

1. PBEC MEETING (UNCLASSIFIED)

PARTICIPANTS IN THE PACIFIC BASIN ECONOMIC COMMISSION
MEETING IN WASHINGTON ON OCTOBER 13-14 INDICATED PLEASURE
WITH THE FORTHRIGHT PRESENTATION OF HIGH LEVEL USG
PARTICIPANTS. PBEC LEADERS CONSIDERED THIS SESSION TO BE
THEIR MOST SUCCESSFUL ONE. THE US CHAPTER PLANS TO
CONSIDER ORGANIZING AN ADVISORY GROUP TO MEET
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PERIODICALLY WITH US OFFICIALS TO DISCUSS BUSINESS
ACTIVITIES AND US POLICIES IN THE PACIFIC. PBEC WAS
ALSO PLEASED WITH THE DEPARTMENT'S WILLINGNESS TO HEAR
INDIVIDUALLY FROM ITS PARTICIPANTS. SEVERAL
PARTICIPANTS, HOWEVER, CONTINUE TO BE CONCERNED OVER THE
IMPACT THAT POSSIBLE NORMALIZATION OF US-PRC RELATIONS
WOULD HAVE ON THEIR BUSINESS ACTIVITIES IN THE ROC.

PBEC IS CURRENTLY DRAFTING A CHARTER SETTING FORTH GUIDELINES FOR FOREIGN PRIVATE INVESTMENT ACTIVITIES IN PACIFIC AREA. IT HOPES TO ADOPT THIS CHARTER AT ITS ANNUAL INTERNATIONAL MEETING IN MANILA ON APRIL 8-10.

2. STEEL (UNCLASSIFIED)

IN A MEETING CHAIRED BY AMBASSADOR STRAUSS, 40 BUSINESS, LABOR AND CONGRESSIONAL LEADERS MET WITH ADMINISTRATION OFFICIALS IN THE WHITE HOUSE ON OCTOBER 13. PRESIDENT CARTER ATTENDED PART OF THE MEETING AND STRESSED THE NEED TO ADDRESS THE STEEL PROBLEM IN A COMPREHENSIVE MANNER. IN A SURPRISING CHANGE OF EMPHASIS, US STEEL TOOK THE POSITION THAT THE INDUSTRY "WOULD NOT RECOMMEND" IMPORT RESTRAINTS ON STEEL BUT RATHER THE VIGOROUS ENFORCEMENT OF EXISTING ANTI-DUMPING LAWS.

THE US INTERNATIONAL TRADE COMMISSION FOUND, BY 3-1 VOTE, THAT TERMINATION OF THE SPECIALTY STEEL IMPORT RELIEF PROGRAM WOULD HAVE A SERIOUS ADVERSE ECONOMIC EFFECT ON THE DOMESTIC INDUSTRY.

ARMCO STEEL, JOINED BY SEVERAL OTHER DOMESTIC STEEL FIRMS, HAS FILED A DUMPING COMPLAINT AGAINST FIVE JAPANESE AND TWO INDIAN FIRMS REGARDING STEEL WIRE STRAND. TREASURY HAS 30 DAYS TO DECIDE WHETHER TO LIMITED OFFICIAL USE

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INITIATE AN INVESTIGATION.

3. SUGAR (UNCLASSIFIED)

THE US HAS FILED AN ANTI-TRUST SUIT CHARGING THE NEW YORK COFFEE AND SUGAR EXCHANGE WITH RESTRICTING PRICE COMPETITION IN THE MARKETING OF REFINED AND RAW CANE SUGAR SOLD IN THE US. THE EXCHANGE INCLUDES REPRESENTATIVES OF MAJOR RAW SUGAR MERCHANTS AND REFINERS AND IS ONE OF THE LARGEST RAW CANE SUGAR FUTURES EXCHANGES IN THE WORLD. THE SUIT IS NOT EXPECTED TO SIGNIFICANTLY EFFECT THE PRICE OF SUGAR.

4. ZENITH ELECTRONIC CASE (LIMITED OFFICIAL USE)

AS ANTICIPATED, ZENITH HAS FILED A PETITION ASKING THE SUPREME COURT TO OVERTURN THE CUSTOMS COURT DECISION THAT THE JAPANESE REBATE OF A COMMODITY TAX ON ELECTRONIC PRODUCTS IS NOT A BOUNTY. SUSPENSION OF LIQUIDATION WILL REMAIN IN EFFECT UNTIL THERE IS A FINAL JUDGEMENT IN THE CASE. SHOULD THE SUPREME COURT DECLINE TO TAKE THE CASE -- WHICH WE BELIEVE IS

LIKELY -- SUSPENSION OF LIQUIDATION WOULD END AT THAT TIME. SHOULD IT TAKE THE CASE, SUSPENSION OF LIQUIDATION WOULD CONTINUE UNTIL IT RENDERS ITS DECISION -- PROBABLY NO EARLIER THAN MID-1978.

5. ADF REPLENISHMENT (LIMITED OFFICIAL USE)

THE US PLANS TO TAKE NO PUBLIC POSITION AT THE KYOTO MEETING THIS WEEK TO DISCUSS THE REPLENISHMENT OF THE ASIAN DEVELOPMENT FUND. INSTEAD, THE US WILL ASK THE ADB TO JUSTIFY FURTHER ITS FINANCIAL NEEDS TAKING INTO ACCOUNT THE ABSORPTIVE CAPACITY OF THE RECEPIENT COUNTRIES, ADF DISBURSEMENT RATES AND THE AVAILABILITY OF SOFT FUNDS FROM OTHER SOURCES, ESPECIALLY FROM LIMITED OFFICIAL USE

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IDA AND OPEC. THE US WILL SOUND OUT OTHER POTENTIAL CONTRIBUTORS REGARDING THEIR INTENTIONS AND INDICATE THAT WE SUPPORT A FOUR YEAR REPLENISHMENT, 1978-82, AND A US SHARE OF 22.2 PERCENT. WE WILL ALSO SEEK BROADER LENDING CRITERIA SO THAT MORE ADF LENDING COULD GO TO INDONESIA, THE PHILIPPINES AND THAILAND. THE ADB PLANS TWO ADDITIONAL MEETINGS TO DISCUSS THIS REPLENISHMENT, EXPECTING TO REACH A FINAL DECISION AT ITS ANNUAL MEETING IN VIENNA ON APRIL 24-26.

6. ADB VICE PRESIDENTS (LIMITED OFFICIAL USE)

AN EXECUTIVE SESSION OF THE ADB BOARD INDICATED GENERAL SUPPORT FOR A. I. BAMBAWALE TO TAKE KRISHNA MOORTHY'S PLACE AS ADB VICE PRESIDENT ON APRIL 1. BAMBAWALE WOULD HANDLE THE BANK'S OPERATIONAL FUNCTIONS. ADB MANAGEMENT FAVORS CREATING ONE ADDITIONAL VP POSITION, PREFERABLY STAFFED BY AN AMERICAN, TO HANDLE FINANCES, PERSONNEL AND ADMINISTRATION. WE ARE PUTTING TOGETHER A LIST OF PROSPECTIVE CANDIDATES FOR MANAGEMENT TO CONSIDER. WE ARE ALSO SEEKING JAPANESE AND OTHER SUPPORT THAT THERE SHOULD BE ONLY ONE ADDITIONAL VP AT THIS TIME.

7. REPROGRAMMING OF OVERSEAS COMMERCIAL POSITIONS (UNCLASSIFIED)

THE DIRECTOR OF MANAGEMENT OPERATIONS HAS ASKED EB, WITH INPUT FROM THE REGIONAL BUREAUS AND COMMERCE, TO REVIEW OVERSEAS STAFFING OF COMMERCIAL FUNCTIONS. THE PURPOSE IS TO IDENTIFY 1) NEEDS FOR ADDITIONAL E/C POSITIONS, AND 2) EXISTING POSITIONS THAT COULD BE REPROGRAMMED. OUR RESPONSE TO EB RECOMMENDS HARDLY LIMITED OFFICIAL USE

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ANY CHANGES FOR THE PRESENT. RECOMMENDED PERSONNEL CHANGES HAVE ALREADY BEEN ACTED UPON IN THE CASE OF POSTS WHICH WERE RECENTLY INSPECTED. OTHER POSTS ARE CURRENTLY BEING INSPECTED AND WE PREFER TO AWAIT THE RESULTS BEFORE MAKING ANY RECOMMENDATIONS.

8. EC-ASEAN DIALOGUE (LIMITED OFFICIAL USE)

ACCORDING TO EC COMMISSION SOURCES, ASEAN RECENTLY APPROACHED THE COMMISSION FOR A MINISTERIAL LEVEL CONFERENCE ALONG THE LINES OF THE US-ASEAN MODEL. THE COMMISSION DEFLECTED THE REQUEST BECAUSE: 1) THE COMMISSION CANNOT MAKE SUCH A COMMITMENT ON BEHALF OF THE NINE; AND 2) ANYTHING THE EC MIGHT BE ABLE TO OFFER IN THE ECONOMIC AREA WOULD BE SO MEAGER THAT IT WOULD NOT HELP TO IMPROVE EC-ASEAN RELATIONS. ASEAN REPORTEDLY HAS AGREED TO CONTINUE ITS CONTACTS WITH THE COMMISSION FOR THE TIME BEING THROUGH THE EXISTING JOINT STUDY GROUP. THIS GROUP WILL MEET AGAIN IN BRUSSELS AT THE END OF OCTOBER.

9. US BALANCE OF PAYMENTS (UNCLASSIFIED)

AN EB STUDY HAS IDENTIFIED SEVERAL, PREDOMINATELY CYCLICAL, FACTORS THAT HAVE CONTRIBUTED TO THE CURRENT DETERIORATION OF OUR TRADE BALANCE. PETROLEUM TRADE ACCOUNTS FOR 41 PERCENT OF THE DETERIORATION. OTHER FACTORS INCLUDE REDUCED IMPORT GROWTH IN SEVERAL OF OUR MAJOR LDC TRADING PARTNERS (INCLUDING KOREA AND THE ROC), GOOD HARVESTS WORLDWIDE AND SLOW GROWTH IN OECD COUNTRIES. AS A RESULT, THE US TRADE BALANCE OF TRADE WITH THE DCS, NON-OIL LDCS AND THE OIL EXPORTING LDCS DETERIORATED BETWEEN THE FIRST HALF OF 1975 AND 1977. THE GREATEST DETERIORATION IN BILATERAL TRADE OCCURRED WITH JAPAN (DOLLARS 2.6 BILLION). EVEN THOUGH THE US TRADE BALANCE WORSENEDED FROM 1975 TO 1977, CAPITAL LIMITED OFFICIAL USE

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INFLOWS HAVE SUPPORTED THE VALUE OF THE DOLLAR. FROM FEBRUARY 1975 TO JUNE 1977 THE TRADE WEIGHTED VALUE OF THE DOLLAR APPRECIATED APPROXIMATELY 8 PERCENT.

10. COOPER'S SPEECH (UNCLASSIFIED)

UNDER SECRETARY COOPER MADE A MAJOR ECONOMIC POLICY

SPEECH BEFORE THE SECOND COMMITTEE OF THE UN ON
OCTOBER 14. EXCERPS WERE CARRIED IN THE OCTOBER 17
WIRELESS.

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLICIES, ECONOMIC REPORTS
Control Number: n/a
Copy: SINGLE
Sent Date: 19-Oct-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE250763
Document Source: CORE
Document Unique ID: 00
Drafter: STAFF:SRP
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770384-0771
Format: TEL
From: STATE
Handling Restrictions:
Image Path:
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Legacy Key: link1977/newtext/t19771042/aaaabjqv.tel
Line Count: 229
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 8a22122c-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: STADIS, ONLY
Original Previous Classification: n/a
Original Previous Handling Restrictions: STADIS
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
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Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 859824
Secure: OPEN
Status: NATIVE
Subject: OFFICE OF ECONOMIC POLICY WEEKLY STATUS REPORT OCTOBER 18, 1977
TAGS: EGEN, ECON, XC, XE, XP, US
To: EA POSTS
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/8a22122c-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009